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TO AMEMBASSY LAGOS PRIORITY

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E.O. 11652: N/A

TAGS: BEXP, NI

SUBJECT: RAILROAD DEVELOPMENT

REF: A) LAGOS 11832, B) LAGOS 11238, C) STATE 256167,

--- D) STATE 253668, PREVIOUS

1. BILL MCCABE OF PULLMAN VISITED WASHINGTON YESTERDAY TO BRIEF COMPANY'S INTERNATIONAL EXECUTIVES AND MEPD ON OUT-COME OF HIS VISIT TO NIGERIA AND TO DEVELOP STRATEGY WHERE-BY USG COULD ASSIST BOTH PULLMAN AND OTHER AMERICAN FIRMS IN THEIR EFFORTS TO OBTAIN CONTRACTS FOR THE NIGERIAN RAILWAY PROJECT.

2. MCCABE'S REPORT EMPHASIZED FOLLOWING POINTS. HE BELIEVES CONSULTANCY DEFINITELY WILL BE KEY TO OBTAINING CONTRACTS IN CONNECTION WITH NIGERIAN DEVELOPMENT PROGRAM. MCCABE FEELS THAT WHOEVER OBTAINS CONSULTANCY WILL ALMOST AUTOMATICALLY TIE UP DOWNSTREAM DESIGN, CONSTRUCTION, AND
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EQUIPMENT BUSINESS. HE CONCURS WITH EMBASSY'S VIEW THAT

JAPANESE HAVE HEAD START ON CONSULTANCY AND ARE FRONT RUNNERS, WITH CANADIANS AND FRENCH NOT FAR BEHIND. HIS CONVERSATIONS WITH SEVERAL NIGERIAN OFFICIALS INDICATE THAT THEY ARE DEEPLY IMPRESSED BY NATIONAL RAILROAD NETWORKS IN JAPAN, CANADA, AND EUROPE AND BY FACT THAT GOVERNMENTS OF THESE COUNTRIES APPEAR TO BE LENDING TANGIBLE AS WELL AS DIPLOMATIC SUPPORT TO THEIR FIRMS SEEKING

QUALIFICATION FOR BIDDING ON CONSULTANCY. MCCABE CONFIRMED EMBASSY'S REPORT THAT NZEGWU INDEED INTERESTED IN VISITING U.S. AND AGREES WITH OPINION THAT INVITATION MOST PRODUCTIVE FOR ALL AMERICAN COMPETITORS. IN FACT, HE INVITED HIM, ON PULLMAN'S BEHALF, WHILE IN LAGOS BUT WAS TURNED DOWN WITH REMARK THAT NZEGWU'S POSITION MAKES IT IMPOSSIBLE FOR HIM TO ACCEPT INVITATIONS FROM PRIVATE COMPANIES COMPETING FOR RAILROAD BUSINESS IN NIGERIA. MCCABE IS ALSO RECOMMENDING THAT PULLMAN INITIATE CONTACTS WITH AMERICAN RAILROADS AND CONSULTANTS WITH EXTENSIVE RAILROAD OPERATING BACKGROUNDS SO THAT COMPANY'S BID MIGHT INCLUDE STRONG MANAGEMENT PROPOSAL IN ADDITION TO ENGINEERING AND CONSTRUCTION CAPABILITIES. NEEDLESS TO SAY, BID WILL REQUIRE QUALIFICATION BY NRC. IN THIS REGARD, PULLMAN HAS REQUESTED USG SUPPORT. NOT ONLY ON ITS OWN BEHALF BUT FOR ALL U.S. BIDDERS. COMPANY BELIEVES ITS QUALIFICATIONS SPEAK FOR THEMSELVES AND IS CERTAIN OF ITS CHANCES PROVIDED ANY AMERICAN FIRMS ARE SHORTLISTED. HOWEVER, IT BELIEVES THAT JAPANESE, CANADIANS, AND EUROPEANS NOW SO HIGHLY REGARDED, AND HEAVILY BACKED BY THEIR RESPECTIVE GOVERNMENTS, THAT THERE IS REAL POSSIBILITY NO U.S. FIRM WILL BE SELECTED TO BID. MCCABE EMPHASIZED DISCUSSIONS HE HAD WITH NIGERIAN OFFICIALS WHO COMMENTED ON LATE START MADE BY AMERICAN INDUSTRY, WHICH WAS UNAWARE OF OPPORTUNITY UNTIL A FEW WEEKS BEFORE PREQUALIFICATION CLOSING DATE, AND CONTRASTED THIS RESPONSE WITH THAT RECEIVED FROM OTHER COUNTRIES. EMBASSY ALREADY AWARE THIS SITUATION AS REFTEL B INDICATES JAPANESE HAD TECHNICAL MISSION IN COUNTRY FOR SEVERAL MONTHS.

3. VIEW PULLMAN REQUEST, MULTIBILLION DOLLAR EXPORT LIMITED OFFICIAL USE

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POTENTIAL OF NIGERIAN RAILROAD PROGRAM, AND REPORTS THAT THIRD COUNTRY COMPETITORS ARE RECEIVING SUPPORT FROM THEIR EMBASSIES AND GOVERNMENTS, WE BELIEVE CONTINUED EFFORTS SHOULD BE MADE TO BACK U.S. FIRMS SEEKING PREQUALIFICATION. FYI: WHILE REFTELS C AND D PROVIDE EXPLANATION OF DIFFERENCES IN BACKGROUND AND CAPABILITIES AMONG VARIOUS US COMPETITORS, AMERICAN REPRESENTATION ON SHORTLIST ESSENTIAL. END FYI. UNDER CIRCUMSTANCES, WE

SUGGEST EMBASSY AT HIGHEST LEVEL IT BELIEVES APPROPRIATE, APPROACH OFFICIALS AT SIMILAR LEVEL IN MINISTRY OF TRANSPORTATION OR OTHER PERTINENT GON AGENCIES TO MAKE FORMAL EXPRESSION OF USG INTEREST IN RAILROAD DEVELOPMENT IN GENERAL AND CONSULTANCY CONTRACT IN PARTICULAR. IT MIGHT BE USEFUL TO INDICATE USG BELIEVES THAT AMERICAN FIRMS PURSUING CONSULTANCY ARE AS QUALIFIED AND EXPERIENCED AS ANY IN WORLD AND ABLE TO CALL UPON TECHNICAL RESOURCES OF USDOT AND WORLD'S MOST EXTENSIVE RAILWAY NETWORK IN

DEVELOPING PROPOSALS. FINALLY, QUALIFICATION OF U.S. FIRMS IS ONLY WAY FOR NRC TO OBTAIN FULL RANGE OF COMPETITIVE PROPOSALS WHICH, AFTER ALL, IS IN BEST INTEREST OF GON.

4. SINCE DECISIONS ON PREQUALIFICATIONS PRESUMABLY BEING MADE AT THIS TIME, WOULD APPRECIATE EARLY REPORT WHETHER EMBASSY CONCURS WITH THIS SUGGESTION AND, IF SO, ON OUTCOME DISCUSSIONS WITH MINISTRY. KISSINGER

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